



THE MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT OF 2003:

GREATER SAVINGS, INCREASED CHOICES, AND BETTER BENEFITS

Background

For too long, America's seniors and individuals with disabilities have struggled to acquire the medications they so desperately need. Recently signed into law by President George W. Bush, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (H.R.1) will provide prescription drug coverage to over 40 million Medicare beneficiaries for the first time in the program's history. This historic, bipartisan agreement helps lay the foundation for a strong and modern Medicare for today's seniors, as well as tomorrow's seniors.

What Are the Improvements?

- ***Immediate, affordable relief:*** By June 1, 2004, beneficiaries will have the option to receive a Medicare-approved prescription drug discount card. The Bush Administration estimates that these cards will provide savings of 10 to 25 percent off the cost of prescription drugs.
- ***New prescription drug benefit:*** Beginning in 2006, all beneficiaries will have access to a new, comprehensive prescription drug benefit with more generous assistance for those with lower incomes and higher catastrophic prescription drug costs.
- ***Protects savings:*** Beneficiaries will receive protection against high out-of-pocket drug costs.
- ***Includes generous low-income assistance:*** Those beneficiaries who need help the most will now receive it through generous premium and cost-sharing assistance.
- ***Expands choices:*** Beneficiaries will now be able to exercise more control over their own health care by choosing a health plan to suit their individual health care needs, similar to the options available to federal employees. Beneficiaries will also have the choice to stay in the traditional Medicare program, and to keep exactly what they have now.
- ***Improves coordinated care, disease management, and preventive screening:*** Beneficiaries will have access to new chronic care and preventive benefits, keeping seniors healthier and potentially, helping to reduce the growth in overall Medicare spending.
- ***Improves provider payments, especially in rural America:*** Improves payments to Medicare providers to ensure continued access to basic health care services for seniors and individuals with disabilities, especially those living in rural communities. The legislation's rural provisions represent the most comprehensive improvement of rural provider payments in the history of Medicare.

The Standard Drug Benefit

The Medicare prescription drug benefit, now referred to as Part D, will provide millions of beneficiaries with affordable prescription drug coverage:

- \$35 average monthly premium
- \$250 annual deductible
- 75% of drug costs covered up to \$2,250
- Catastrophic protection after \$3,600 in total out-of-pocket expenses
- Provides seniors with group purchasing power to negotiate significant discounts. The Department of Health and Human Services estimates this discount to be approximately 25%.

It is also important to note that health plans providing prescription drug coverage to seniors have flexibility to vary and improve this standard benefit, and that they may offer even more generous coverage to seniors.

What Are the Estimated Savings?

The following scenarios involve seniors with different monthly drug costs, highlighting their estimated savings under the new Medicare prescription drug benefit.

1. Nancy spends \$200 per month on prescription drugs, representing \$2,400 annually in drug costs. Under the new prescription drug benefit, Nancy can expect to see up to a 25 percent discount on her drug costs from a combination of drug discounts, improved utilization, and lower pharmacy fees. This brings her annual drug spending to \$1,800.

<u>Nancy's Costs</u>	
\$35 premium/month	\$420
Annual deductible	\$250
25% of \$1,550	<u>\$387.50</u>
Total Cost	\$1,058
Total Savings	\$1,343

2. George spends a little over \$400 per month or \$5,000 annually on his prescription drugs. Under the new prescription drug benefit, George can also expect to see up to a 25 percent discount on his drug costs due to cost management tools. This brings his annual drug spending to \$3,750.

<u>George's Costs</u>	
\$35 premium/month	\$420
Annual deductible	\$250
25% of \$2,000	\$500
\$1,500 out-of-pocket	<u>\$1,500</u>
Total Cost	\$2,670
Total Savings	\$2,330

3. John spends about \$833 per month or \$10,000 annually on his prescription drugs. As in the other examples, John can also expect up to a 25 percent discount, bringing his drug costs to \$7,500 annually.

<u>John's Costs</u>	
\$35 premium/month	\$420
Annual deductible	\$250
25% of \$2,000	\$500
\$2,850 out-of-pocket	\$2,850
5% of \$2,400	<u>\$120</u>
Total Cost	\$4,140
Total Savings	\$5,860

Monthly Prescription Drug Costs	Annual Prescription Drug Costs	Estimated Annual Savings*
\$200	\$2,400	\$1,343
\$300	\$3,600	\$1,980
\$400	\$4,800	\$2,280
\$416.67	\$5,000	\$2,330
\$500	\$6,000	\$2,580
\$600	\$7,200	\$3,165
\$800	\$9,600	\$5,475
\$833.33	\$10,000	\$5,860
\$1,000	\$12,000	\$7,785

* As assumed by the Congressional Budget Office (CBO), the savings include an initial 25% discount off annual drug spending due to cost management tools.